

Williams & Co State of Trade Survey 2013

Confidence grows and pricing data hints at better times ahead.

Now in its 10th year, the annual Williams & Co “State of Trade” Survey collects and analyses data from Plumbing and Heating businesses across Britain and uncovers the trends that are driving the industry.

From 2008 – 2012, the news was either downbeat or flat, with the 2011 and 2012 data flat-lining as the consequences of the credit crunch and prolonged recession made themselves felt.

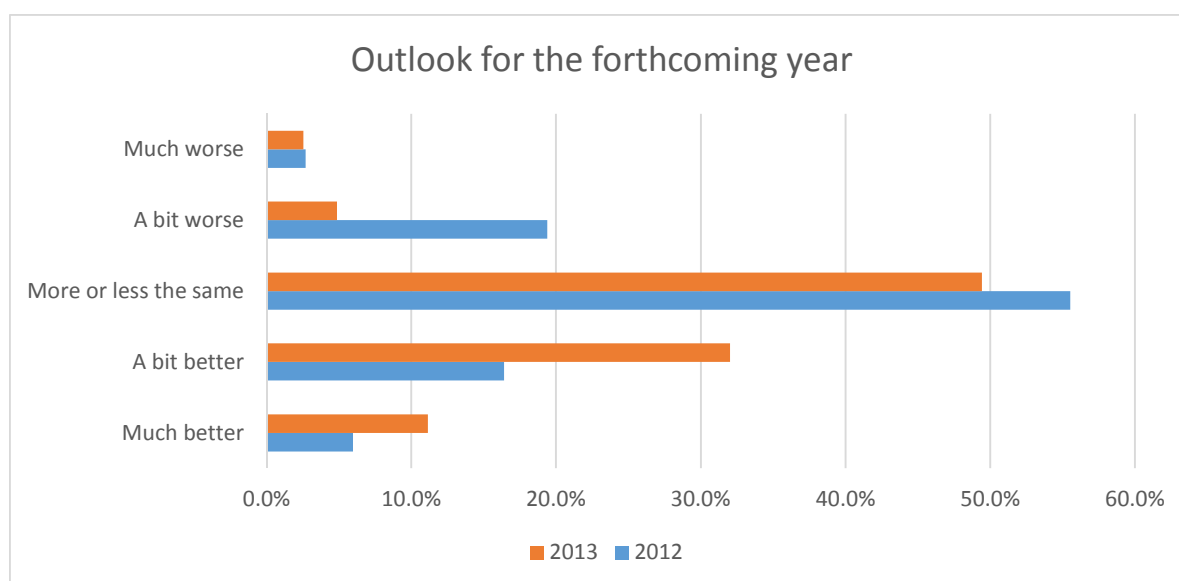
In contrast, the 2013 data shows clear signs of rising confidence, and although pricing data is only marginally stronger, pressure to discount appears to be diminishing and expectation of better times ahead is clearly signposted.

The most bullish piece of data comes from the responses to two questions which look both backwards and into the future.

When asked about the past year 46.5% of respondents described it as “Good” or “Very Good” – up from 39.5% the previous year. There remains a hardcore of about 13% who report either a “Poor” or “Very Poor” year – much the same as the last two years.

Questioned about their outlook for the next 12 months, 44% expect it to be “A bit better” or “Much better” – this is nearly double the number of optimists (22.5%) who had such a positive outlook in 2012.

The number of pessimists who expect next year to be “A bit worse” or “Much worse” has fallen from 22% a year ago to just 7.4% - the sharpest fall since the survey began.



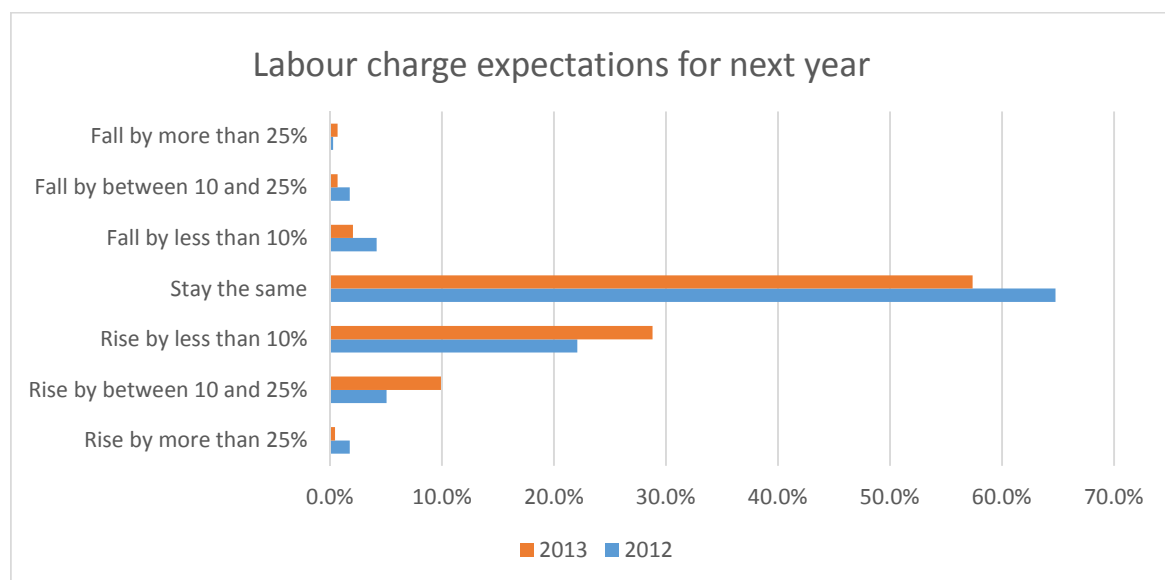
The 2013 survey shows a marked increase in optimism about the future and a sharp decrease in those expecting things to deteriorate.

This confidence is matched by respondents' reports of their own pricing policies. Although almost 2/3rd of firms have left their pricing unchanged, there is a clear shift amongst those who have made a change.

In 2012, the number of firms increasing their rates (20.1%) was almost matched by those who found that they needed to cut prices (18%). This balance has shifted in 2013 with the 24.5% who report increasing their rates clearly outnumbering the 10.1% who reduced their charges.

Intentions for next year show an acceleration of this trend. 39.2% expect to increase their rates in the forthcoming 12 months, whereas only 3.5% anticipate further reductions.

Analysis of previous surveys suggest that rather more companies report an intention to increase rates than actually do so, when checked against the following year's data. However, there is a clear correlation – whilst business pressures or sheer inertia may prevent some of the intended rises, low expectations tend to signpost little price increase activity, whereas higher expectations, although not likely to be fulfilled by everyone, at least indicate a rise in the number of firms who are prepared to experiment with more ambitious rates.



Less Pressure to Discount?

The 2013 survey also highlights a reverse in a recent trend towards discounting a quoted price to close a deal. This peaked in 2012 with 28.1% reporting that they “frequently” resorted to this tactic, with only 33.8% claiming that they never came down off their first quote. In 2013, those “frequent discounters” had fallen in number to 19.3%, with 44.6% managing to avoid the practice altogether.

Although this still represents a greater level of discounting activity than in pre-recession times, it is the lowest for some years, during which time the “habit” of discounting was rising steadily from year to year.

Order books

With all these indicators of growing confidence, it isn't surprising that order books are looking better than previously.

The number of respondents with 8 weeks or more work booked in rose by nearly half, from 14.6% in 2012 to a healthier 20.9% this year. At the other end of the scale, those with 2 weeks work or less in hand fell from 42.7% to 33.2%.

Again, although this is well short of the levels seen during the boom years leading up to 2008, it is the first year that the trend has reversed and may be the underlying cause of the optimism reported in answers to more specific questions.

Benchmarks

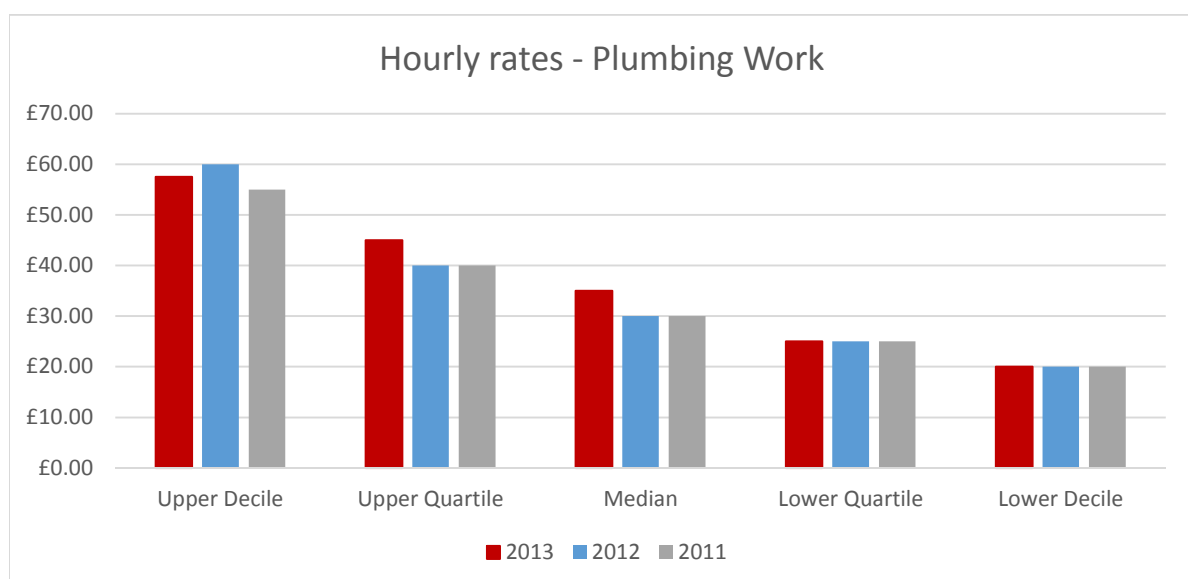
Of our three benchmark median rates for Gas work, Gas boiler service and general plumbing work, only the latter rose significantly, rising from £30 p/h to £35 p/h. The median rate for gas work remained constant at £40 p/h and the "going rate" for gas boiler servicing was unchanged at £60.

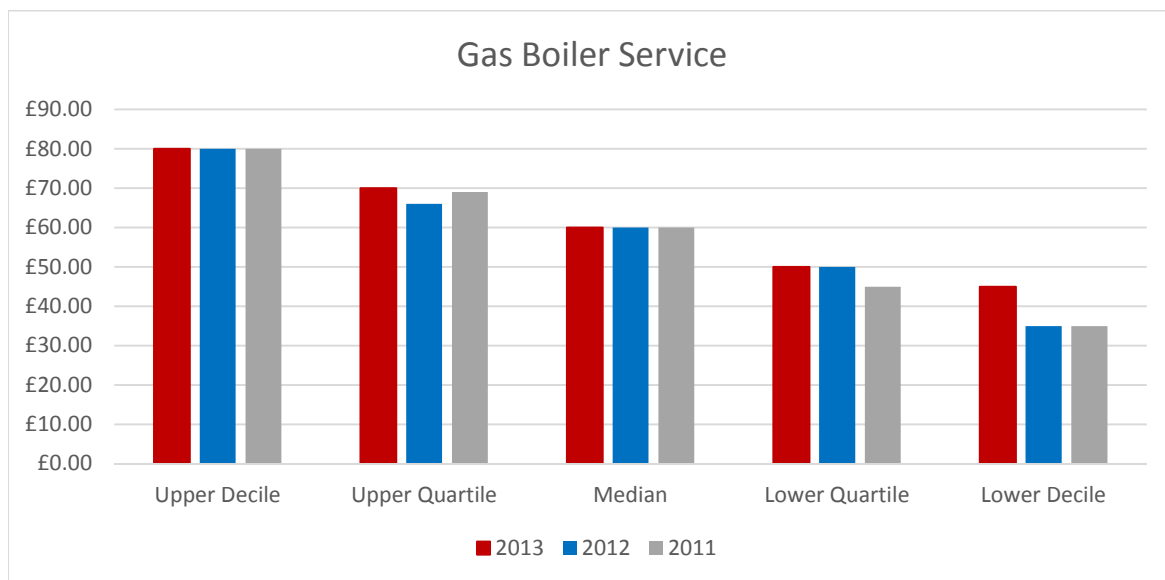
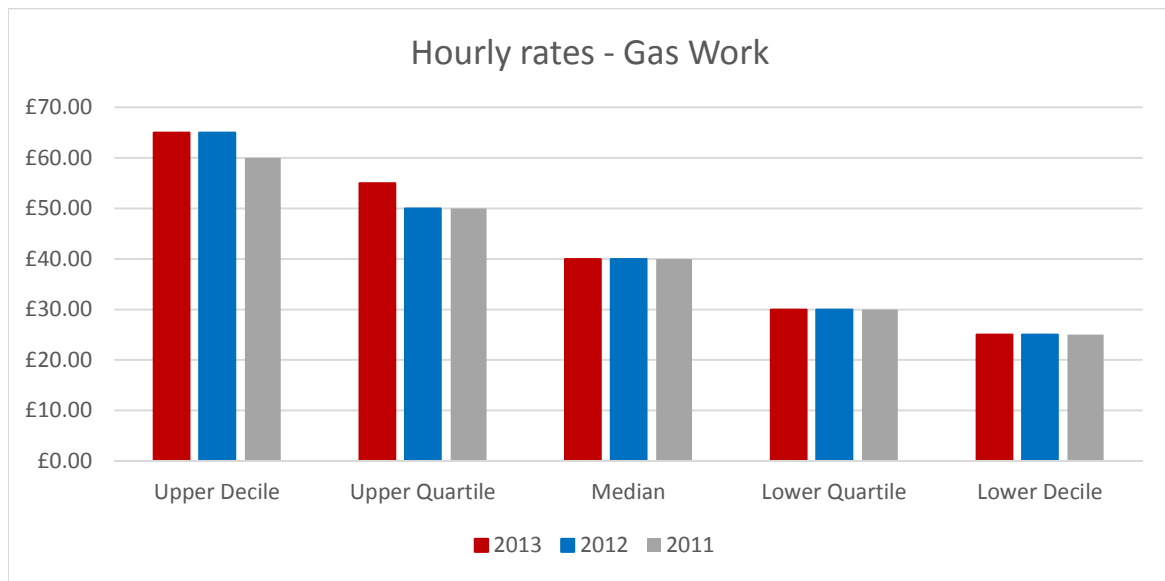
However, the cheap end of the gas boiler servicing market shows clear signs of hardening. The lower decile figure defines the "bottom end" of that market, and has risen sharply from £35 to £45, and the upper quartile figure has crept up from £66 to £70.

Another feature of the data for gas boiler servicing was the clustering of prices in the £50 - £70 range. In previous surveys we found a wide range of prices, fairly well distributed between £30 and £100. This year's survey shows a significant tightening of the range, with both very cheap and very expensive prices still present, but reduced in number.

There was an increase in the upper quartile rate for gas work, from £50 p/h in 2012 to £55 in 2013, with the same £5 increase in the upper quartile for plumbing work, going from £40 to £45. However the very top earning plumbers – the top decile – saw a small reduction from £60 p/h to £57.50.

Other rates were unchanged from last year.





Giving and granting credit.

As works pick up, there are an increasing minority of firms reporting difficulty in raising the bank finance that they need (12.1%) or getting sufficient credit from their suppliers (8%). Last year these figures were 11% and 4.3% respectively.

On the other side of the ledger, those reporting serious problems getting paid by clients has risen from 10.9% to 16.2%, highlighting the importance of maintaining robust credit policies, particularly when work is increasing bringing the temptation to relax in those areas.

Should I stay or should I go?

Our final question asks whether respondents expect to remain in the industry for the next 5 years. 71.6% replied that they would “probably” or “certainly” remain in the industry, up from 67.9% last year. The number expecting to retire fell from 11.3% to 6.9%. What isn’t clear is whether the reduction in anticipated retirement is the result of a genuine desire to remain in the trade, a demographic trend towards younger plumbers, or simply a resigned acceptance from the older workers that they will have to labour on past the age at which they might have previously hoped to retire.

About the data

The data for this survey was gathered between April and July 2013, and was analysed in August 2013. There were 442 respondents, representing over 1200 operatives.

The median figure is the middle value in a ranked series of values. A median price means that half the respondents were the same or cheaper, and half were the same or dearer. Median is used instead of mean (average) to avoid the result being skewed by a small number of very high or very low values. Upper and lower quartile values represent the point where one quarter of the respondents were the same or dearer, or one quarter the same or cheaper, respectively. Upper and lower deciles work on the same principle, but for the top and bottom 10%.

About the author

Ray Stafford is Managing Director of Williams & Co, an independent trade-only plumbing and heating merchant with 26 branches in Hampshire, Surrey, Sussex, Kent and Berkshire. He first started collecting data in 2004 as a casual straw poll of trade counter customers, and the high level of interest in the data resulted in a more formal structure, run in recent years in partnership with HPM magazine.

